

**Iowa Telecommunications & Technology Commission
Grimes State Office Building, 1st Floor
400 E. 14th Street, Des Moines, IA 50319**

FINAL

July 21, 2011

To ensure the most efficient use of State resources, the July 21, 2011, ITTC meeting was held via a conference call pursuant to Iowa Code section 21.8. A video conference call also ensured more Commissioners were able to participate in the meeting and reduced the risk of delays caused by weather or other impediments to travel. The meeting was accessible to members of the public through attendance at the Grimes State Office Building.

Commissioners Present

Betsy Brandsgard, Chairperson (via video-conference)
Robert R. Hardman, Member (via video-conference)
Shannon Cofield, Member (on-site)
Richard Bruner, Member (via video-conference)
Tim Lapointe, Member (via video-conference)

Iowa Communications Network Staff Present:

Dave Lingren, Executive Director
Joseph Cassis, Business and Governmental Services (BGS) Director
Kevin Heinzeroth, Finance Director
Will Walling, Network Operations and Engineering Director
Phil Groner, Business Services Manager
David Marley, Network Operations and Engineering Manager
Jontell Harris, Information Specialist 1
Tami Fujinaka, Government Relations Officer
Christopher Hannon, Marketing Intern
Shweta Agrahari, Finance Intern
Carmelita Doke, Receptionist (Recorder)

Guests:

Mike Eggle, Iowa Network Services
Meghan Gavin, Attorney General's Office
Joe Hrdlicka, Iowa Telecom Association
Anna Hyatt-Crozier, House Democratic Staff

Call to Order

Commissioner Brandsgard called the meeting to order at 9:00am. It was noted that a quorum of members were present for the meeting.

Approval of the May and June Meeting Minutes:

Commissioner Cofield moved for approval of the May 16, 2011 and June 15, 2011 meeting minutes;
Commissioner Hardman seconded the motion: A roll call vote was taken; Minutes approved.

Commissioner Cofield – Yes
Commissioner Hardman – Yes
Commissioner Bruner – Yes
Commissioner Lapointe – Yes
Commissioner Brandsgard – Yes

Old Business:

Update of Sale/Lease RFP - Dave Lingren

There are a lot of issues relevant to the Request for Proposal (RFP) for the sale/ lease of the ICN that will need to be addressed. The ICN was given an extension by the Legislature on the completion date of the sale/lease RFP, which was signed by the Governor the week of July 18, 2011. The extension gives the ICN until June 30, 2013 to complete the RFP, to include the approval process by the Legislature and the Governor. The signed legislation requires that the disposition of the network must satisfy Iowa Code Chapter 8D requirements with approval by the Legislature and the Governor. That would mean the General Assembly would address the sale/lease of the ICN in January 2014.

Broadband Opportunities Grant (BTOP) Project Progress – Joseph Cassis/Kevin Heinzeroth

The biggest effort at this time relates to the engineering specifications for approximately 800 sites. The BTOP team is focusing on identifying the specific site requirements and staging them according to the BTOP project plan. The hope is to have approximately 60 to 65 sites engineered by October 1, 2011. The hiring process is underway for engineering resources with the first position being filled on approximately July 25, 2011; the second on August 8, 2011; and the third on September 5, 2011. The communication plan, to notify customers of this impending implementation, has gone out to all customers.

Rack cards that will provide an explanation of the BTOP project has been printed and will be made available at the State Fair as well as the dates for upcoming conferences that are scheduled in August 2011 and September 2011 as part of the required BTOP outreach effort. Contracts are being negotiated for the Infeasible Right of Use (IRUs). The National Telecommunications and Information Administration (NTIA) have received ICN's American Recovery and Reinvestment Act (ARRA) compliance report. NTIA's Quarterly Performance Progress Report, which tracks milestones and the Federal SF425 Financial Report for Grantees, will be sent to NTIA before July 30, 2011. The BTOP team hopes to be reporting over 300 Community Anchor Institutions (CAIs). CAIs are libraries, hospitals, schools, and Public Safety sites.

ICN's sub-recipient, the Meskwaki Nation held a community outreach program the week of July 18, 2011, and BTOP was one of the topics of discussion. There were about 80 individuals from their community attending the function. David Lunemann, from Fiberutilities Group (FG), and Cassis provided an overview of the BTOP grant. Meskwaki Nation also introduced Turtle Island, the engineering firm they hired to develop the engineering specifications and oversee the project management for the Tribe. Turtle Island is located in Minnesota and is a Native American owned company. Turtle Island was present to discuss specifications. ICN's other sub-recipient Decorah MetroNet is building a business model for their consortium.

The BTOP team received a response from the federal government regarding the NTIA visit. There were no findings of significant issues, only a recommendation to document a couple of processes. The documentation process was being developed as the team was meeting with NTIA.

New Business:

Review 2011 ICN Budget-to-Actual Financials – Kevin Heinzeroth

Finance has finalized the budget-to-actual reports through the end of May 2011. Finance has been working on the tentative June 2011 budget-to-actual" figures as we convert ICN's accrual basis to cash basis in the State accounting system. The final budget-to-actual report for 2011 won't be available until the September 2011 ITTC meeting. For the month of May 2011, ICN's year-to-date is close to what was budgeted, and the total gross revenues are within 0.04 percent of what was budgeted. Direct expenses related to gross revenues are within 0.01 percent of what was budgeted. Indirect expenses are 1.48 percent below what was budgeted. General and Administrative expenses are 3.17 percent below what was budgeted. Operations generated, through the end of May 2011, are approximately \$1,000,000. However, ICN's equipment expenditures exceeded what was budgeted, which is due to the fact that in the State budget system ICN is required to budget to a zero dollar amount. Through the end of May 2011, with \$1.4 million in equipment purchases, ICN will need a negative

balance of \$287,000 cash from Operations and Equipment. That will be off-set by the \$2,767,000 in cash ICN received from Iowa Health Systems (IHS) for the long term IRU leases ICN has provided. ICN continues to see a decline in video and voice services and that data services are carrying ICN through. ICN is starting to see revenues from the Iowa Rural Health Telecommunications Program (IRHTP). Through the end of May 2011 ICN has had \$225,000 in revenues from that project. The tentative number for June 2011 is \$261,000. Tentative cash on hand for the end of June 2011 is \$23,584,000. Of that \$8,000,000 is appropriated money for equipment purchases, approximately \$8,300,000 is reserved for the BTOP Project and \$250,000 is reserved for money that needs to be returned to the general fund. That leaves ICN with operating cash-on-hand of approximately \$7.5 million. Last year's cash numbers were \$5.8 million, so ICN actually increased cash-on-hand by \$1.6 million.

Q. Why is the ICN required to return \$250,000 to the general fund?

A. When ICN was created, the Legislature appropriated \$1,000,000 to the ICN for seed money. Several years ago the former Executive Director John Gillespie, working with the Legislature, gained approval to receive the interest generated from the monies in the ICN fund rather than going into the general fund. In exchange, ICN has to return the \$1,000,000 seed money to the general fund. ICN is required to pay \$500,000 in two \$250,000 installments and provide a plan for return of the additional \$500,000. ICN opted to continue making the \$250,000 payments. ICN made one payment at the end of June 2011 and will be making the final payment, in June 2012.

Q. The decreases in video and voice services were discussed. A decrease in video is not a surprise, but is this trend in lower revenues for voice services expected to continue? If some of the decrease was contributable to the Capitol Complex going to cellular phones, in which the issue is now resolved, will the ICN be seeing an upturn in voice revenues in the near future?

A. There is no upturn in the foreseeable future. State agencies are beginning to procure their own long distance services outside the ICN and the Board of Regents no longer purchases voice services from the ICN. Regarding the Capitol Complex Cellular Phone pilot project, the project is completed. ICN is in the process of working through a solution that will allow our capital complex home systems to integrate cellular phones. The only way ICN can increase revenues would be through a rate increase on voice, which has been looked at. At this time that is not a position the ICN would want to take, but certainly one that will be looked at in the near future.

FY 12 Legislative Update – Dave Lingren

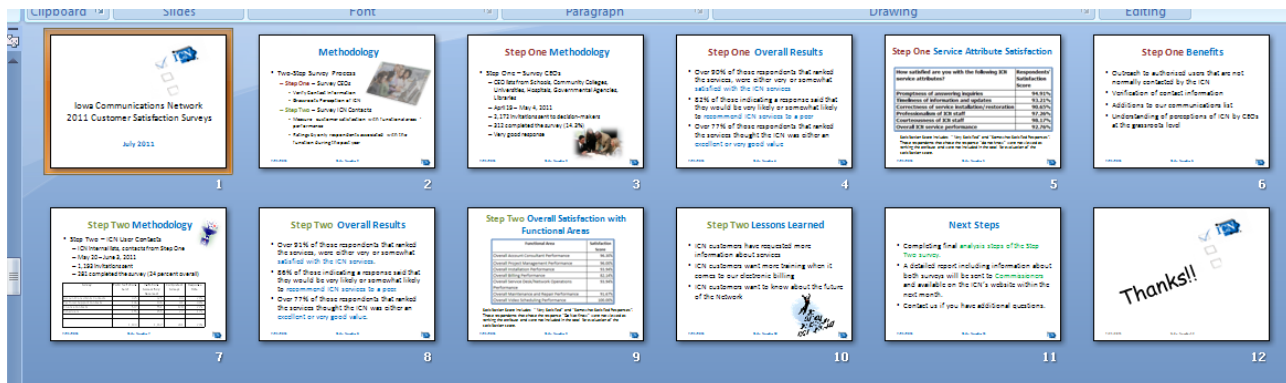
The ICN's Legislative Strategy Team, Cassis, Mark Johnson, and Tami Fujinaka met with Lingren to discuss the task of forming a RFP advisory team for the sale/lease of the ICN. Lingren is working on a document to be sent to Legislatures requesting representatives from each of the four legislative caucuses. ICN will need input from that team, because ICN doesn't have clarity as to what the bill is asking. The bill just says that the ICN must sell or lease the agency, and whoever buys it will have to offer customers a lower cost for services. The bill doesn't say for how long lower costs must be offered and whether that goes for a sale or lease. So there are a number of issues the ICN needs defined. Lingren will be writing a letter, in which the commissioners' can sign, requesting that the Governor's, Attorney General, and Auditor's Office along with the legislative group provide representatives to help provide guidance to the ICN as the RFP is written.

2011 Customer Service Initial Results – Joe Cassis

Each year the ICN reaches out to customers to get a feel for how the ICN has been doing over the course of the year. These surveys provide great insight on how the ICN has been providing services and responding to any potential trouble that might occur in the field. The final survey report will be provided in August 2011.

Survey Update -- Tami Fujinaka

The report is in the process of being finalized. Fujinaka will be conducting analysis on each of the operational areas in ICN. This year, instead of doing a single survey, the ICN did a total of five surveys.



Methodology

The survey was conducted in two different steps. A survey was completed by the CEOs of ICN's authorized users. The goal was to verify the contact information ICN had for each of the sites. The survey went out on April 19, 2011, and was closed on May 4, 2011. Over 2,172 invitations were sent to the decision makers; 312 of them completed the survey which was a response of about 14.3 percent. ICN utilized Survey Monkey for the surveys.

Step One – Overall Results

Over 90 percent of respondents ranked the services with the ICN as either very or somewhat satisfied. Eighty-two percent of those who responded stated they would be likely or somewhat likely to recommend ICN services to a peer. Over 77 percent of those respondents thought the ICN was either an excellent or very good value.

Service Attribute Satisfaction

There is an overall survey attribute question within the survey. The results show that in every area there were scores above 90 percent. For professionalism over 97 percent were satisfied or very satisfied with the professionalism of the ICN staff, and the courteousness of the ICN staff ranked above 98 percent. Overall, ICN's service performance ranking was 92 percent.

Step Two Methodology

ICN internal lists were used as well as contacts from the Step One survey. This survey took place from May 20, 2011, to June 3, 2011. Almost 2000 invitations were sent and 281 surveys were completed. There were four separate categories of contacts surveyed, including Account Consultant Contacts, Technical Support Contacts, Finance Contacts and Scheduler Contacts. Ninety-one percent of respondents ranked the services either very or somewhat satisfied with ICN's services. Eight-six percent indicated that they would be very likely or somewhat likely to recommend ICN to a peer, and over 77 percent of respondents that ranked the services thought the ICN was either an excellent or very good value.

Step Two Overall Satisfaction with Functional Areas

All of the areas except one ranked well over 90 percent, either satisfied or very satisfied with the functional areas. Accounting Consulting Performance was over 96 percent, Project Management Performance was over 96 percent, Overall Installation Performance was almost 94 percent, Service Desk was almost 94 percent, Maintenance and Repair Performance was almost 92 percent and Video Scheduling Performance was 100 percent. The one area ICN did not meet the 90 percent score was in billing.

Step Two Lessons learned

ICN customers have requested more information about their services. ICN customers want more training when it comes to electronic billing, and ICN customers want to know about the future of the network.

Next Step

Final analysis of Step Two Survey is being completed. A detailed report including information about both surveys will be sent to Commissioners and made available on the ICN's website in August 2011.

Q. Are there any referrals from customers who are seeking additional information about ICN services? What kind of details are these customers requesting and are they offering ideas on services?

A. Customers are looking for more information in general about ICN services. A lot of those questions came from the K-12 surveys. The primary questions were regarding how the ICN network is perceived, the future in technology, the capacities of broadband, and what can be offered to them, along with concerns about video conferencing.

With the survey this year, ICN will have the ability to follow-up on questions directly with the customers who submitted the questions and track those comments.

Q. Did customers have any comments or concerns regarding the sale or lease of the network?

A. Yes, there were some questions about the future of the network.

ITTC Regulatory Plan (Fiscal Year 2012) – Tami Fujinaka

This plan is required by Executive Order Number 11. ICN knows there will be a rule change regarding certified users and will be making a definition change.

Commissioner Brandsgard moved for approval of the Regulatory Plan Report' Commissioner Lapointe seconded the motion: A roll call vote was taken; the report was approved.

Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Bruner – Yes
Commissioner Cofield – Yes
Commissioner Brandsgard – Yes

Discussion of FY 2013 Video Rates – Phil Groner

Each September the Commissioners are asked to approve rates for the coming Fiscal Year (FY). The full motion video rates for FY 2012 were submitted in FY 2011. The full video rates for FY 2013 will be provided to the Commissioners at the September 2011 ITTC meeting. In July 2011 ICN will accept comments from customers with any input they may have towards the rates for FY 2013. The ICN will then make an initial proposal and recommendation to the ITTC Commissioners for consideration. The proposal is that ICN keep rates the same for full motion video. The video rates have not been changed in three years

Q. Are there any solutions the ICN is considering to get more usage of video, perhaps rewarding the heavier users with a better rate?

A. ICN would have to create a rate structure that would have to be the same across the board because of the common carrier status. ICN built this in the K-12 connections. ICN will look into the Commissions suggestion to see if we can build some sort of pricing structure with common carriers.

Q. Are the video rates posted on the website?

A. Yes, they are. The current rates are posted and the proposed rates for the coming fiscal year are posted.

Commissioner Bruner made a motion that video rates not be changed this year; Commissioner Cofield seconded the motion: A roll call vote was taken; Rates approved.

Commissioner Hardman – Yes
Commissioner Bruner – Yes
Commissioner Lapointe - Yes
Commissioner Cofield - Yes
Commissioner Brandsgard – Yes

Q. When the rates are posted on the website is that communicated to the customers?

A. ICN's account consultants are the main point of contact for customers and usually inform them of the rates being posted to the website.

Video Service Project Update – Phil Groner

Polycom was selected as a vender for this projects core network equipment. The equipment was ordered and has arrived. Additional equipment will be arriving at ICN's warehouse shortly. Polycom, as well as ICN's integrator, AVI, will be on-site to visit with ICN's technical teams to complete the network design. Following the network design, the team will move into the implementation phase and training will follow. The core equipment is scheduled for installation and will be turned up and working by September 30, 2011. The VSP team is continuing to work with customers. ICN is working with two primary customers for testing, Mercy Hospital and Area Education Agency (AEA) 11. The team will be developing rates for the IP Video Conferencing Service that will be scheduled for the Commission review in September 2011.

Q. Where is your initial location?

A. For the core network equipment location ICN continues to work with Mercy Hospital in Des Moines. Mercy had Mercy Rural Telemedicine Consortium doing tests to move connectivity to an IP based service. In addition, ICN is working with AEA11 in Johnston. AEA 11 is one of the larger AEAs for the Department of Education with a lot of users. The Johnston facility recently upgraded and changed one of their full motion ICN rooms to more of a multipurpose room and are integrating both IT capabilities as well as full-motion capabilities in that room. ICN is testing the bridging services and other IT services with the staff in Johnston.

Q. At some point would it be possible to actually view this?

A. Yes. Many of the Commissioners may be able to use the technology directly. ICN could set those services up in the Commissioners offices or home office for a Commission meeting.

Other Business – Joe Cassis

Several events are coming up that the ICN will be involved in. The first one is the State Fair. This will be affecting a number of ICN employees because they will be staffing the booth for 11 days. The Public Relations team has put together a booth that will increase the awareness of ICN services as well as what ICN offers to the citizens of Iowa. The other event is the IN TOTO Conference that is scheduled for October 14, 2011, in Marshalltown. The theme will be based on game shows in order to indicate how technology, if not planned correctly, can be a win or lose situation. ICN staff involved will be carrying out skits and have a key note speaker, who is an expert in social networking. The key speaker will be providing insight of what's happening around the world. A second key note speaker will be present and will be speaking on not only personal development, but how to motivate individuals utilizing the technology we have.

Public Relations are developing a logo design for a tag line that is trademarked by the ICN, called “@Light Speed”. At Light Speed is being utilized in many of ICN’s viral materials. This is a way to emphasize what the fiber is all about and how fast ICN responds to the needs of customers.

Action – Certified User Waiver Requests – Phil Groner

ICN has one redundant internet connection waiver request.

1. Heartland AEA

ICN staff has reviewed this waiver and recommends approval.

Discussion:

Heartland AEA’s request is for a redundant Internet connection to provide their location in Johnston with a physically diverse Internet connection and redundant Internet Service Provider (ISP) as a secondary connection to ICN’s primary Internet service.

Q. What affect will House File (HF) 254, which removes the waiver requirement for specific ICN Certified Users, have on ITTC’s waiver process?

A. The legislation passed HF 254 and it has been signed by the Governor. HF 254 is limited to private Colleges, Universities and high schools, meaning they are the only ones who no longer have to go through the waiver process. Non-private institutions will still have to go through the waiver process. That was effective immediately when the bill was signed.

Q. There was talk about extending the waivers of the Public University and Colleges to three years, was that passed?

A. Yes, that was part of the provision as well. The ICN and ITTC are instructed that, when requested, to grant three year waivers.

Commissioner Bruner moved for approval of the Heartland AEA Waiver request; Commissioner Hardman seconded the motion: A roll call vote was taken; the Heartland AEA waiver was approved.

Commissioner Cofield – Yes

Commissioner Hardman – Yes

Commissioner Bruner – Yes

Commissioner Lapointe – Yes

Commissioner Brandsgard – Yes

VSP Update – Phil Groner

If the VSP project is complete by December 1, 2011, ICN can bid to the K-12 via the Universal Service Funds e-rate process for FY 2012. ICN expects through the bidding process to get a better idea of what future IP video revenue will be. ICN has completed the purchase agreement for the core IP equipment, and has selected Polycom and AVI as the integrator for that. The customer response for this VSP initiative continues to grow and be very positive.

Q. What will the VSP product bring to the school districts?

A. It will provide school districts some flexibility. Today the MPEG 2 classrooms are very traditional looking classrooms, they are fixed, and there’s no mobility to them. With an IP based system their rooms can be used as a multi-purpose room for other types of classes, or they might be able to move that IP video conferencing system from room-to-room.

Other Business:

The ICN is considering releasing an RFP for Managed Services for voice services. ICN is trying to create a scenario for those in the education community in particular who are having troubles replacing or maintaining those systems. ICN is trying to create a comprehensive plan that would be beneficial throughout all of Iowa. At the same time ICN would take more of an administrative role by partnering with private sector providers.

Adjournment

Commissioner Cofield made a motion that the meeting be adjourned; Commissioner Bruner seconded the motion: With there being no further business, the ITTC Commission meeting adjourned at 10:06 am.

ATTESTED TO:



Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission